

South Eastern University of Sri Lanka Development Project (SEUDP) - Phase 1A -2012

1. Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, except for the effects of the adjustments arising from the matters referred to in paragraph 3 of this report, I am of opinion that,

- (a) the Project had maintained proper accounting records for the year ended 31 December 2012 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2012 in accordance with Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided,
- (c) the statements of expenditure (SOEs) submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Loan Agreement,
- (d) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and ;
- (e) the financial covenants laid down in the Loan Agreement had been complied with.

2. Financial Statements

2.1 Financial Performance

According to the financial statements and information made available, the expenditure of the Project during the year under review amounted to Rs. 84,995,519 and the cumulative expenditure as at 31 December 2012 amounted Rs.951,027,574. A summary of the expenditure for the year under review, the expenditure for the preceding year and the cumulative expenditure as at 31 December 2012 under various categories, is given in the following statement.

P.S.No. 2014/312 Fourth Instalment – Part V Foreign Funded Projects - Report of the Auditor General 2012

Category of Expenditure	Expenditure for the year ended 31 December		Cumulative Expenditure as at 31 December 2012
	2012 Rs.	2011 Rs.	Rs.
Hostel complex	10,466,468	17,737,183	315,300,478
Staff Quarters	2,843,29	1,626,000	148,871,451
Students Centre	16,430,119	10,925,654	53,442,166
Faculty of Islamic Studies	16,452,199	65,755,028	138,886,135
Ground and Pavilion	4,064,642	18,984,091	48,005,659
Faculty of Technology	7,901,411	50,493,075	106,598,064
Health Centre	989,767	9,396,073	22,257,694
Furniture and Equipment for staff quarters	7,868,318	2,037,899	12,220,143
Consultancy			
Fee - Local	2,094,968	5,240,497	44,825,403
- Foreign	2,451,237	1,623,041	18,368,499
Water Supply System for Student Hostel	5,770,144		5,770,144
Fixed Assets	68,096	210,504	292,460
Office Equipment	390	-	2,196,812
Miscellaneous Expenditure	7,594,468	7,690,798	33,992,466
Total	<u>84,995,519</u>	<u>191,719,843</u>	<u>951,027,574</u>

3. Audit Observations

The following observations are made.

- (a) The cumulative expenditure of the Project for the period from 17 July 2007 to 31 December 2012 amounted to Rs.951,027,574 and out of this, request had been made for replenishments of expenditure amounting to Rs.10,821,354. However, the relevant replenishments had not been made by the Kuwait Fund. According to the comments made by the Secretary to the Ministry of Higher Education , this amount had been agreed to transfer to the DF Account by Treasury.
- (b) According to the National Bidding System, tenders had been received from 05 institutions for purchasing and fixing of household items for the staff quarters under two contracts. Out of them, the supplier who had submitted the lowest bids was rejected without giving any reason and the household items had been obtained under the lowest price from the supplier who had submitted the second lowest bid. Even though these two institutions were operated at same place, transport expenses amounting to Rs.70,000 had been overpaid by exceeding the transport expenses of the institution which was submitted the lowest bids.
- (c) The fourth Component ie. the Education Development Plan had not been implemented up to the end of the project period in terms of Appendix 02 of the Project Agreement.
- (d) Even though the Project was completed, the entire progress report relating to the Project had not been made available to audit up to the end of the year under review and as such it was unable to satisfy in audit relating to the Performance of the Project according to the Action Plan.

4. Financial and Operating Review

4.1 Financial Performance

According to the Annual Estimate for the year 2012, a provision of Rs.106,500,000 had been made available for the Project under Expenditure Head 171 Ministry of Higher Education. The details of provision and the actual expenditure incurred thereon and the under utilization of funds are given below.

Details of Expenditure Head	Provision for the year 2012	Actual Expenditure for the year 2012	Under utilization	
			Amount	As a percentage of Provision
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	Rs.	Rs.	Rs.	%
Foreign Aid - Loan	2,500,000	2,451,237	48,763	2
Reimbursable Foreign Aid -Loan	60,000,000	59,384,750	615,251	1
Foreign Aid related Domestic Funds	44,000,000	23,159,533	20,840,467	47
	<u>106,500,000</u>	<u>84,995,519</u>	<u>21,504,481</u>	<u>20</u>

4.2 Physical Performance of the Project

According to the progress reports furnished by the Project, physical performance of the contracts as at 31 December 2012 were as follows.

P.S.No. 2014/312 Fourth Instalment – Part V Foreign Funded Projects - Report of the Auditor General 2012

<u>Name of Project activates</u>	<u>Contract value.</u> Rs.	<u>Due date of completion</u>	<u>Actual Date of completion</u>	<u>Delay of completion (months)</u>	<u>Amount Paid up to 2012.08.31</u> Rs.	<u>Financi al perform ance %</u>	<u>Physica l perform ance %</u>
1. Hostel Complex	287,096,828	2010.07.15	2010.11.05	03	315,300,478	109.82	100
2. Staff Quarters	131,309,050	2010.04.15	2010.04.15		148,871,451	113.37	100
3. Student Centre	54,865,015	2011.06.07	2012.03.10	09	53,442,166	97	100
4. Faculty of Islamic Studies	111,433,936	2011.05.08	2011.12.20	07	138,886,135	124.64	100
5. Ground and Pavilion	38,992,117	2011.06.29	2011.12.20	06	48,005,660	123.12	100
6. Faculty of Technology	117,046,400	2011.05.12	2011.08.31	03	106,598,064	91	100
7. Health Centre	21,267,927	2010.10.31	2011.03.15	04	22,257,694	104.65	100
8. Water Supply System for Student Hostel	5,770,144		2012.08.27	-	5,770,144	100	100
9. Furniture and for staff Quarters	11,501,917	-	-	-	11,501,917	100	100
10. Equipment for staff Quarters	718,227	-	-	-	718,227	100	100
Total	<u>780,001,561</u>				<u>851,351,936</u>		

Even though the total contract value was Rs. 780,001,561 the actual expenditure incurred was amounting to Rs. 851,351,936.07 Therefore expenditure has been exceeded from Rs.71,350,375.